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UNITED STATES DISTRICT COURT
DISTRICT OF PUERTO RICO

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In re:

PROMESA
Title III

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

No. 17 BK 3283-LTS
(Jointly Administered)

THE COMMONWEALTH OF PUERTO
RICO, et al.,

Debtors.

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New York, N.Y.
March 13, 2019
9:46 a.m.

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Before:

HON. LAURA TAYLOR SWAIN

District Judge

APPEARANCES

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BY: PETER FRIEDMAN

SUZANNE UHLAND

DIANA PEREZ

1 THE COURT: *Buenos días*. Please be seated.

2 (Case called)

3 THE COURT: Again, *buenos días*. Good morning.

4 Welcome to counsel, parties, and interested members of the
5 public and press here in New York and in San Juan and to the
6 telephonic participants as well. We are here today for our
7 March omnibus hearing.

8 I remind you that, consistent with court and judicial
9 conference policies and the orders that have been issued, there
10 is to be no use of any electronic devices in the courtroom to
11 communicate with any person, source, or outside repository of
12 information, nor to record any part of the proceedings. Thus,
13 all electronic devices must be turned off unless you are using
14 a particular device to take notes or to refer to notes or
15 documents already loaded on the device. All audible signals,
16 including vibration features, must be turned off. And no
17 recording or retransmission of the hearing is permitted by any
18 person, including but not limited to the parties or the press.

19 Anyone who is observed or otherwise found to have been
20 texting, e-mailing or otherwise communicating with a device
21 from a courtroom during the court proceeding will be subject to
22 sanctions, including but not limited to confiscation of the
23 device and denial of future requests to bring devices into the
24 courtroom. And I do thank you all for your continued
25 compliance with these procedures.

1 I'll now call on counsel for the Oversight Board for a
2 status report.

3 MR. BIENENSTOCK: Thank you.

4 THE COURT: Good morning, Mr. Bienenstock.

5 MR. BIENENSTOCK: Good morning.

6 Good morning, Judge Swain. Martin Bienenstock of
7 Proskauer Rose for the Financial Oversight Board for Puerto
8 Rico.

9 The Court has requested a status report on certain
10 issues. I plan to cover the issues concerning the status and
11 activities of the Oversight Board. With me today are my
12 partner, Brian Rosen, who will cover the issues concerning
13 COFINA, and Michael Luskin of the Luskin & Stern firm will
14 cover the McKinsey issues that the Court has inquired about, if
15 that's OK with the Court.

16 THE COURT: That's just fine.

17 MR. BIENENSTOCK: Insofar as the status and activities
18 of the Oversight Board, as the Court is aware, the First
19 Circuit provided a 90-day period for the Oversight Board to
20 continue. The Oversight Board has publicly announced, the
21 Court may have seen it, that it plans to file a petition for
22 certiorari of the First Circuit's decision on the appointments
23 clause. It also plans to do the same thing in respect of the
24 First Circuit's ERS decision.

25 In tandem with the filing of the petition for

1 certiorari, there will likely be requests for stays from either
2 the First Circuit or the Supreme Court. And so what happens
3 after the 90 days will likely be determined when those motions
4 for stays are filed and we'll all find out together what the
5 future holds.

6 In respect of the activities of the Oversight Board,
7 it's proceeding on all fronts at full speed while it's
8 authorized to do so. So the Board is working with the governor
9 on the next Commonwealth fiscal plan and budget. We are
10 responding to the governor's appeal of this Court's decision in
11 respect of the issues raised vis-a-vis whether things are
12 suggestions or requirements in the fiscal plan and related
13 issues.

14 Most importantly, the Board continues to monitor the
15 implementation of the structural reforms it has been building
16 into the fiscal plans and budgets which are designed to improve
17 the competitiveness of the economy and the business environment
18 so that Puerto Rico can attract new investments and improve its
19 economy going forward.

20 Additionally, your Honor, the Board is continuing to
21 negotiate with creditor groups of the Commonwealth, PREPA, and
22 other debtors and plans to prepare disclosure statements and
23 Title III plans of adjustment to the extent that it obtains
24 sufficient creditor support that such plans can be confirmed.

25 Unless the Court has additional questions, I would

1 turn things over now to Mr. Rosen to address the COFINA issues.

2 THE COURT: Can you give us any sort of a temporal
3 sense of the board's expectations in connection with the filing
4 of one or more plans for other debtors?

5 MR. BIENENSTOCK: Your Honor, we would like to be able
6 to file a plan for the Commonwealth by the end of April. It
7 is -- we don't know now if that will be possible in respect of
8 how much creditor support we will have by that time. But
9 notionally we would like to file a plan of adjustment by that
10 date.

11 There are other potential plans that may or may not be
12 possible by that date and if that date comes and goes we would
13 still proceed to try to garner support for confirmable plans of
14 adjustment. And if the current oversight board, for whatever
15 reason, is replaced by a different board, it will be up to the
16 new board to either pick up where we left off or to make
17 changes, but we want to make as much progress as we can going
18 forward.

19 So if we don't make the end of April date we'll still
20 continue going forward as trying to put the plans of adjustment
21 into place as long as we're authorized to do so.

22 THE COURT: So even if you go past April and you're
23 still in the 90-day window or that 90-day window is expanded,
24 you plan to continue apace with the effort to develop both
25 support and plan specifics?

1 MR. BIENENSTOCK: Yes, your Honor.

2 We see a lot of downside and no upside to stopping the
3 progress on the plans of adjustment. It is simply not healthy
4 for this amount of debt to be a cloud over the Commonwealth
5 going forward. It has all kinds of uncertainty as to what the
6 obligations of different debtors are and how they will be
7 funded. And the sooner the debt is put to rest, the faster we
8 believe the Commonwealth can go forward and improve on its
9 economy and investments, we think, would then be made that
10 would not be made now because of the uncertainty.

11 So that's why -- we don't think that terminating
12 efforts to restructure the debt or staying them helps anyone at
13 this point.

14 THE COURT: Thank you, Mr. Bienstock.

15 Mr. Stancil.

16 MR. STANCIL: Your Honor, I don't have anything to say
17 about COFINA.

18 THE COURT: If you're going to say anything you -- if
19 it's brief, you can say it from that microphone; if not, you'll
20 have to say it from the podium, but I'm hoping it will be brief
21 in general.

22 MR. STANCIL: Brief in general but podium worthy, if I
23 may.

24 THE COURT: Thank you.

25 MR. STANCIL: Good morning, your Honor. Mark Stancil

1 on behalf of the GO ad hoc group.

2 I did want to just lay out what we think, from certain
3 creditors' perspectives, the status may be that may affect the
4 timing of where we go and how long it's going to take to get
5 there.

6 I heard Mr. Bienstock say that the sooner the debt is
7 put to rest the better. We agree completely with that. The
8 problem we have is I don't think the path that's being charted
9 is realistic.

10 The Oversight Board has declined to engage in certain
11 fiscal reforms or to require the Commonwealth to do them. This
12 Court held that the Oversight Board has lots of tools. And the
13 First Circuit has affirmed, as I understand it, this Court's
14 holding. But the Board has abdicated. And I would refer your
15 Honor to page 34 of the fiscal plan that's currently certified
16 for a list of those. And they the total somewhere between,
17 depending upon assumptions -- this is the oversight board's
18 matter -- 53 to \$101 billion of the life of the plan. We
19 should be focusing on that process and how to get to that
20 process so that an actual consensual deal could be done.

21 What the Board has chosen is a Plan of Adjustment, it
22 sounds like, that is premised on litigation. They've
23 handpicked a couple of creditors to litigate against, including
24 our clients, but there will be others. In fact, there was an
25 objection filed last night by the UCC. There will be

1 additional litigation.

2 With respect, your Honor, the idea of a Plan of
3 Adjustment by the end of April would be great if it were not
4 premised on what we think will be literally years of litigation
5 and tens and tens of millions of dollars in additional fees.

6 So from the creditors' perspective, we have no
7 engagement, no meaningful progress in this case. And I just --
8 I feel like we have to let the Court know this, that what we're
9 headed down is more lawsuits and we should get off that path.

10 THE COURT: Given that PROMESA puts the development
11 and particularly the proposal of a plan solely in the hands of
12 the Oversight Board, is there anything in particular that
13 you're advocating for here or calling on the Court to consider
14 or any action you are calling on the Court to consider?

15 MR. STANCIL: Yes, your Honor. There will be -- I
16 think this is in the nature of a status report, but there will
17 be two main avenues.

18 First is there will be additional litigation that we
19 will be asking the Court to entertain that will tee up both the
20 selective attack on certain bondholders. And also -- and this
21 is critical -- whether the Oversight Board can ever confirm a
22 Plan of Adjustment in the absence of the reforms that even it
23 acknowledges need to be done and can be done.

24 So, in the course of this -- just as Mr. Bienenstock
25 is promising to deliver that, what we are hopeful is that if

1 they continue down this course, which we hope they won't, that
2 the Court will entertain promptly our requests to tee up what
3 we would call the other side of the legal case, which is
4 whether they can handpick certain bonds to go after, whether
5 they can -- whether those theories make any sense.

6 What we do not think will be proper, and what we're
7 going to urge the Court not to do, is to allow them sort of an
8 unlimited runway to push down these legal issues that we think
9 undermine their plan. Whether they could confirm a
10 nonconsensual plan in the absence of their own state of
11 reforms, we think is a crucial, crucial legal issue that the
12 Court should resolve upfront instead of at the end of some
13 really messy and nasty confirmation battle. And that's what
14 we'll be asking the Court to consider, in addition to the claim
15 objections and the other things that have been launched by the
16 Oversight Board.

17 THE COURT: So I think I hear you fairly clearly
18 saying you are intending to engage aggressively what you
19 consider selective attacks on certain creditor constituencies
20 or outstanding holdings. And I think I'm hearing that you
21 anticipate that if the Board proposes a plan that you consider
22 structurally unconfirmable there will be some, I'll say again,
23 aggressive means of engaging that.

24 If the Board -- is there a third path that you'd like
25 me to hear about in the event that the Board does not propose a

1 plan but instead continues in the midterm on the litigation
2 front? Is there something else that you're asking me to
3 anticipate?

4 MR. STANCIL: Yes, your Honor, with respect to the
5 claim objection in particular.

6 So, we don't think anything should be recharacterized.
7 I think that's clear. I think the bonds are the bonds.

8 Just so the Court is aware. They have chosen two
9 series of bonds that they would like to attack because they are
10 held by people that I respectfully submit are politically
11 unpopular.

12 THE COURT: Between 2012 and 2014 GOs, correct?

13 MR. STANCIL: Correct. For reasons that I will not
14 belabor that the court, I'm sure we'll all come to regret
15 having to understand all these spreadsheets, that we think is
16 illogical to attack them at all but if you're going to attack
17 them, illogical to do it in the way that they've done it.

18 We think there needs to be a comprehensive effort to
19 address that. So it isn't just the GO 2012s and 2014s. Their
20 own logic, they would say, would have to attack PBA bonds.

21 THE COURT: Which they have done in separate
22 litigation.

23 MR. STANCIL: They have attacked leases between the
24 PBA and the GOs.

25 They say in their claim objection that the PBA should

1 be recharacterized as direct issue debt of the Commonwealth.

2 But they never calculate whether under their own logic, which I
3 grant you is flawed, but under their own logic, whether the PBA
4 bonds themselves would be counted against the debt limit.

5 So my point is to let your Honor know that you've seen
6 the tip of an iceberg. We would love to avoid the whole thing
7 because we don't think years of litigation is the right way to
8 resolve this. But in the absence of political will to do what
9 they need to do and the board's unwillingness to use its tools
10 under PROMESA to force those things, which it absolutely has
11 the authority to do those, we're headed down a path that is not
12 90 days. It is years of litigation. It will be only good for
13 the lawyers, your Honor. That's why I think it's incumbent on
14 us to advise the Court that there's another side of this story
15 that, unfortunately, we're committed to now that the Board has
16 chosen this path.

17 THE COURT: When you speak in terms of tools, you're
18 speaking of issues including economic assumptions and steps
19 that you see as viable for forcing structural changes that are
20 contemplated by the fiscal plan but have not legally been taken
21 up and implemented by the Commonwealth?

22 MR. STANCIL: It's a little more complicated, your
23 Honor.

24 THE COURT: I imagine it is.

25 MR. STANCIL: I apologize.

1 There are other reforms that the Board has itself said
2 should be done -- again, page 34 of the current version -- but
3 the government refused to do. And then we have this big
4 litigation about other ways that even if they can't pass
5 legislation for the Commonwealth, they can encourage, coerce,
6 you know, nudge the AAFAF, the governor and the legislature to
7 do. They've largely abdicated those efforts.

8 Consideration for resolving this case successfully is
9 on the table. It is there. If you look at the current fiscal
10 plan, it goes out for a while and then falls off a cliff. If
11 you look at even the governor's fiscal plan proposed recently,
12 same idea. It goes fine for a while and then falls off a
13 cliff.

14 If you go down the list of those reforms -- there are
15 additional ones that we would propose if we get to that stage
16 of the litigation -- the ones that the Board has proposed, they
17 cure the cliff. They are all out-year reforms.

18 So if the Board would put the effort -- and I
19 understand it's challenging, but if the Board would put the
20 politicians and the process through its paces, as the First
21 Circuit and this Court has said they can, we would be out of
22 this -- we would all be out of this much sooner, much better
23 for the people of Puerto Rico, much better for every
24 constituent on my side, on the other side in this case. But,
25 instead, we're going to spend hundred million dollars, two

1 hundred million dollars more in fees over the next two or three
2 years.

3 That's where we're headed with litigation. We have no
4 choice because we can't get them to come to the table with
5 these reforms in mind.

6 So I'm sorry to be the bearer of bad news but that's
7 where we're headed. It's not our choice. It's not our
8 preference. But that's where we're going.

9 THE COURT: Thank you.

10 MR. STANCIL: Thank you, your Honor. I appreciate the
11 opportunity.

12 THE COURT: Mr. Bienenstock, did you wish to respond?

13 MR. BIENENSTOCK: Sure.

14 Thank you, your Honor for the opportunity and I'll be
15 very brief.

16 First, Mr. Stancil has assumed a lot about the future
17 and I can't say that any of his assumptions are correct.
18 Particularly, we have previously said to your Honor that there
19 are some dating issues. One of them involves -- at least one
20 involves the GOs and that's whether their priority under Puerto
21 Rico law is enforceable under the Plan of Adjustment that we
22 have said we might want to look for ways to tee up early. So
23 Mr. Stancil may be pleasantly surprised to find that we want to
24 embrace the gating issues, not to avoid them, because they are
25 necessary to be resolved. We all know they have to be resolved

1 before a plan can be confirmed.

2 Second, the Board tried to cause the repeal of Law 80
3 which makes a dramatic difference in the surplus that the
4 Commonwealth can generate, and that surplus is not a surplus
5 that simply benefits creditors. It lifts all boats, your
6 Honor. It lifts the economy. It generates futures for people
7 in Puerto Rico.

8 It is a shame, and this is perhaps one thing that we
9 agree with Mr. Stancil on and he agrees with us, it is a
10 terrible thing that the government has persisted, and I think
11 the First Circuit's recent decision affirming your Honor in
12 respect of dismissal of the legislature's complaint, makes
13 clear in its factual recitations how much is lost by not
14 repealing Law 80.

15 We are not aware of a method to force that.
16 Mr. Stancil made several references to our tool box and that
17 the Board is not using them. I invite him, off channel, to
18 tell us exactly what he has in mind. Because if there is a way
19 of accomplishing that that we have overlooked, we will give him
20 credit and embrace it and get things done. The Board is trying
21 its utmost to improve the economy and cause the government to
22 make the changes that are necessary for a sustainable economy
23 going forward.

24 So as far as objecting to claims, your Honor, it is
25 the duty of any debtor to object to claims that should not be

1 allowable. Objections can also be negotiated. I think
2 Mr. Stancil is aware of that. If there is \$200 million of
3 litigation, it will be because perhaps his clients don't want
4 to negotiate it. But we are willing to negotiate all of those
5 things. What we cannot do is simply ignore what a lot of solid
6 law firms have and other professionals have determined are
7 valid infirmities or at least very potentially valid
8 infirmities in certain claims and it is our responsibility to
9 take them up. And claims, whether they be GO or anyone else
10 we're agnostic; if a claim should not be allowable, we have a
11 duty to do something about it.

12 So my hope is that we will get back to the table with
13 Mr. Stancil's clients as well as others that we continue to
14 negotiate with and we won't have the years of litigation and
15 costs that he's predicting. And we will do our best to try to
16 avoid that as well.

17 THE COURT: Thank you.

18 Mr. Friedman.

19 MR. FRIEDMAN: Yes, your Honor. Peter Friedman on
20 behalf of AAFAF.

21 Your Honor, first of all, as you know, the governor
22 supported reforms with respect to Law 80 as well; frankly, went
23 out substantially to try to reach an agreement with the
24 Oversight Board in connection with that. And it's just not
25 accurate to portray that the government is somehow being

1 intransigent or intractable with respect to reforms. The newly
2 released fiscal plan discusses extensively in Section 12,
3 important reforms, cost-saving measures the government is
4 committed to in order to bring financial responsibility and
5 reform to Puerto Rico.

6 The government has made, I think, substantial efforts
7 with respect to transparency, with respect to cost controls,
8 with respect to revenue reforms, and with respect to reaching
9 consensus with other creditors, Title VI, GDB and Title III of
10 COFINA. So it's completely inaccurate to portray the
11 government as somehow being intransigent or not being committed
12 to meaningful reform.

13 The government, obviously, has different priorities
14 than bondholders. I'm skeptical when bondholders say that
15 their positions and immense recoveries to them are necessarily
16 in the best interests to the people of Puerto Rico. That's the
17 governor's job is to represent the best interests in the people
18 of Puerto Rico. And that's what he's going to continue to do.
19 Thank you, your Honor.

20 THE COURT: Thank you, Mr. Friedman.

21 Mr. Rosen.

22 I'm sorry. Mr. Despina.

23 MR. DESPINA: It's OK to talk after Mr. Rosen.

24 THE COURT: All right. Mr. Rosen got up first. So
25 then you're after that. Thank you.

1 MR. ROSEN: Good morning, your Honor. Brian Rosen,
2 Proskauer Rose, on behalf of the Oversight Board.

3 Your Honor, you had asked that there be a discussion
4 with respect to the press reports or at least the distribution
5 of the COFINA assets pursuant to the Plan of Adjustment. And
6 so I am here to do that.

7 But I'd also like to make note, your Honor, that in
8 the courtroom from BAML we have Mr. Ed Sisk and Mr. Jorge
9 Rodriguez who are here just for this purpose. There they are
10 in the back row.

11 And also from Prime Clerk, your Honor, Mr. Shai
12 Waisman and Ms. Christina Pullo who are here just for that
13 purpose as well. They are in the front row.

14 THE COURT: Good morning.

15 MR. ROSEN: If I could ask your Honor after I conclude
16 my remarks and any questions that you may have that you may
17 want them to address if they could be relieved because they are
18 here for solely this purpose.

19 THE COURT: Yes.

20 MR. ROSEN: Thank you, your Honor.

21 Your Honor, pursuant to the plan, as you know, you
22 entered an order first on February 4 and then on February 5
23 confirming the COFINA Plan of Adjustment. The plan went
24 defective the following week, your Honor. And pursuant to
25 Sections 1.84 and Article 19 of the plan, COFINA was -- its

1 role was to be the disbursing agent pursuant to the plan. And
2 it was required to deliver the plan consideration, which was
3 new COFINA bonds and cash to distribute to the Bank of New York
4 Mellon as the trustee and the paying agent with respect to the
5 existing securities.

6 Your Honor, we put together -- and actually I want to
7 give credit to Ms. Uhland and her staff. They put together a
8 little demonstrative that I'm told if I put it on this here it
9 will show up in Puerto Rico.

10 THE COURT: It's supposed to and it should also show
11 on the large screen in the audience section here and on the
12 screens in the jury box. So, yes.

13 It's the correct orientation now and I can see it.

14 MR. ROSEN: Thank you, your Honor.

15 The purpose of this is just to show you how the
16 consideration flowed pursuant to the plan and to the various
17 people.

18 Bank of New York was then required, your Honor, to
19 deliver to the record owner, which is DTC, the Depository Trust
20 Company, on the effective date. And all of those transactions
21 happened, your Honor.

22 THE COURT: So the black print isn't super visible at
23 least on my copy. So if we can just be clear for everyone that
24 you have under COFINA is delivering the bonds to BNY Mellon and
25 then BNY Mellon is delivering the new bonds and prefiscal year

1 '19 cash to DTC.

2 MR. ROSEN: That's correct, your Honor.

3 If you recall, pursuant to the interpleader orders,
4 the cash was with Bank of New York Mellon in segregated
5 accounts. So they then took that pursuant to the plan and
6 passed that along to DTC.

7 THE COURT: That's much better. Thank you, Ms. Ng.

8 MR. ROSEN: So, your Honor, after much discussion and
9 preparation for the effective date, DTC was provided
10 instructions for the further distribution of those assets,
11 those -- that consideration to its participants. Those are,
12 your Honor, direct brokers, nominees. And they were then --
13 that was designed to then result in a further distribution to
14 the beneficial holders, the beneficial owners that would
15 receive their pro rata share of the class distributions
16 pursuant to the plan.

17 It is our understanding, your Honor, that to the
18 extent that individual beneficial holders did not receive the,
19 quote, exact amounts that were projected by the plan, that was
20 a function of the fact that the COFINA bond prices traded down
21 subsequent to the issuance, resulting in potentially less cash
22 available when fractional shares of the bonds then that were in
23 the hands of the brokers and the nominees were liquidated by
24 those people to provide cash consideration to bondholders.

25 So, your Honor, if I could just backup then and go

1 through some of the mechanics of the plan so it becomes very
2 clear.

3 Specifically, your Honor, under the plan, holders in
4 class one, the senior COFINA bonds and the class five, the
5 junior COFINA bonds, they were entitled to receive their
6 applicable pro rata share of the new bonds and cash. And that
7 was made up of what we referred to or was defined in the plan
8 to be Section 103 cash. That was defined in, I believe, your
9 Honor, Section 1.161 of the plan and the COFINA cash available
10 for distributions.

11 The bonds, as you may recall, your Honor, were broken
12 up into 14 different bond issuances, each having separate
13 CUSIPs with varying coupons and maturities. And pursuant to
14 the prospective indentures were required to be issued to the
15 actual holders in denominations of one thousand with,
16 obviously, the bottom one thousand being the minimum
17 denomination.

18 So each bondholders' recovery, your Honor, because it
19 was pro rata share, was a strip of those 14 different CUSIPs or
20 those 14 different bonds.

21 Your Honor, because the recovery is a percentage of
22 the plan's par value of those bonds -- and we believe, your
23 Honor, based upon what we know of the market, they have a
24 market value of about 90 cents on the dollar right now -- the
25 recovery for a typical bondholder would likely include a

1 fractional bond for each of the bondholders' 14 CUSIPs.

2 And fractional bonds, your Honor, are a common feature
3 in bond markets. And while it was not expressly set out in the
4 plan, DTC and brokers, they generally maximized the recoveries
5 to each of their beneficial holders, your Honor, from
6 fractional bonds through a process called market action. And
7 that is where the bondholders' fractional shares are pooled by
8 the nominee or by the -- the participant and they are sold into
9 the market. And then the cash that is generated from the sales
10 of those fractional shares is then divided among the
11 bondholders according to the respective fractional bonds that
12 they otherwise would have received.

13 So, your Honor, in order to maximize the recovery for
14 the bondholders, the fractional shares, the plan also set aside
15 \$25 million from the approximately \$12 million dollars in total
16 recovery that was going out. And this 25 was defined in the
17 plan as rounding amount cash. The disclose statement talked
18 about the risk factor associated with the potential pooling and
19 sale. But this \$25 million then was supposed to be divided up
20 and added to the distributions to take into account the
21 fractional shares.

22 Your Honor, all of this took place. And what made its
23 way into the marketplace, your Honor, was the fact that people
24 were writing articles on day one of the distribution. And what
25 happens in the market place is you have to allow all of these

1 pieces to work. It takes more than one day for the process to
2 conclude. And people's accounts were subsequently added to
3 with additional bonds and additional cash.

4 Because there was perhaps some confusion on DTC's part
5 and its participants, we even had subsequent conversations with
6 DTC, and I believe the call that I participated on had over one
7 hundred DTC participants, where there were further instructions
8 provided to DTC and its participants.

9 All of this, your Honor, caused the market to quiet.
10 And all of this allowed ultimately, your Honor, for people's
11 accounts to be topped up and to receive the distributions that
12 they were going to get pursuant to the plan.

13 The problem is, your Honor -- and that includes, your
14 Honor, the accrued interest which started from, I believe it
15 was August 1 of last year, because pursuant to the plan we had,
16 day-to-day, if you will, when the new bonds were going to start
17 accruing, and we even provided cash to all the people who were
18 receiving the bonds pursuant to the plan.

19 So, your Honor, the point is that the articles, the
20 Twitter, whatever it may be, when it started, it started on day
21 one. And it didn't allow the process to conclude. And had it
22 been allowed to conclude without reporting, the reports,
23 obviously, the way they ultimately were done, would be that
24 everybody received what they were entitled to receive pursuant
25 to the plan or within pennies of it based upon the trading that

1 took place with the sale of the fractional shares going down
2 slightly.

3 But, your Honor, the noise as we know it has quieted
4 down. We don't know of anyone who is still voicing any
5 concerns with respect to the distributions that were talked
6 about initially in those articles. And we believe that
7 everything has been done, certainly by COFINA as a disbursing
8 agent, pursuant to the plan and has been done according to the
9 exact terms and conditions of the plan.

10 Your Honor, if you have any questions, as I said, I do
11 have representatives from both BAML and Prime Clerk who both
12 assisted in the distribution of the COFINA assets.

13 THE COURT: I would just like to, again, ask you to
14 underscore what I understand is your bottomline. Your
15 bottomline is that your representation is that your
16 understanding is that the COFINA bondholders through this
17 process of topping up and market action and things that had
18 taken place subsequent to the initial --

19 MR. ROSEN: The first day.

20 THE COURT: -- the initial day that the bondholders
21 have received the amount for substantially the amounts that
22 were predicted in connection with the plan and that the plan
23 undertook to provide to the bondholders.

24 (Counsel confer)

25 MR. ROSEN: Your Honor, the answer to your question is

1 yes. COFINA passed everything down through DTC to the
2 participants.

3 Again, if there was any modification, as you noted
4 there in the end, it would have been in the subsequent
5 distribution to the beneficial holder due to the fractional
6 shares and having to take that market action and causing it to
7 be off a few cents here and there.

8 I don't know if you want to add more. I think that's
9 it.

10 So the answer is yes to your question, your Honor.

11 THE COURT: Thank you, Mr. Rosen.

12 MR. ROSEN: Thank you, your Honor. Again if I can ask
13 that Prime Clerk and BAML people be released.

14 THE COURT: Yes. Thank you all for attending this
15 morning and you may leave. Thank you.

16 So, Mr. Despins, you wish to speak?

17 MR. DESPINS: Good morning, your Honor.

18 THE COURT: Good morning.

19 MR. DESPINS: Luc Despins on behalf of the Official
20 Committee.

21 The first thing I wanted to say is that how critical
22 and important these status conferences are because without
23 those you see, it's not obvious, you see only five percent of
24 really what's going on in the case because you only see what's
25 filed and there's a lot of work going on in the background.

1 THE COURT: That is why they always start with status
2 reports and we hold them regularly.

3 MR. DESPINS: So we really appreciate the fact that
4 we're able to be heard in that context, your Honor.

5 I'll start with the more narrow and then I'll go to
6 the broader issues.

7 So, as you know, the committee has been supportive of
8 the oversight board and I would say 98 percent or 99 percent of
9 all matters to date. We enjoy a very good relationship with
10 the professionals for the board and so we're having constant
11 discussion with them.

12 Nevertheless, there are issues that are of concern to
13 the committee. So let me address the more narrow one first.
14 You will recall that in January of last year we, in the context
15 of the bar date, said it's really critical that there be an ADR
16 process for many reasons, one of them, I'm sure you'll
17 appreciate, which is your Honor does not want to spend the next
18 how many years going through the thousands of claims that are
19 based on Puerto Rico law filed by trade creditors in Puerto
20 Rico. That's one reason, but that's not the main reason. The
21 main reason is that the ADR process is critical because it
22 makes no difference to the creditors if there's a plan
23 confirmed tomorrow unless they can get money. And the
24 government also wants that because they want the creditors to
25 have the money on the island to spend it, etc., etc.

1 So we raised that at that time and I remember your
2 Honor was fairly generally supportive of the concept.

3 THE COURT: I said I was looking forward to seeing the
4 proposal and I was truthful and I'm truthful now.

5 MR. DESPINS: So in November we discussed this issue
6 in court again. And you said: Am I going to get this for a
7 hearing in January? And the answer was yes. Not from us but
8 from the Oversight Board.

9 We're now in March and it's obvious -- I mean I don't
10 know how to say this, but *res ipsa loquitur*. It doesn't take a
11 year-and-a-half to do this. And for some reason that has not
12 progressed to where it should be.

13 We've had discussions, discussions ongoing. But in
14 the meantime we should be liquidating those claims through this
15 ADR process right now. But that's not going to happen now for
16 several months given where we are. So that's a really -- a
17 parochial concern but a very important concern to the process.
18 So that's the more specific.

19 The next issue is the plan process. And you said
20 several things when Mr. Stancil spoke that were -- I'm glad you
21 made those statements because it focuses our presentation
22 today. And I'm going to use PREPA as an example. As you know,
23 PREPA is the utility company. And we are the official
24 committee for PREPA.

25 There is no other way to say this but the committee is

1 systematically excluded from plan negotiations that are
2 ongoing, that have been ongoing -- by the way, that's not
3 mediation -- that are ongoing since August of last year. And,
4 in fact, in August the board announced publicly that they had
5 reached an agreement in principle regarding the treatment of
6 some secured bonds. The committee had no idea about that, had
7 never been told that this was being negotiated. And we're
8 completely caught by surprise.

9 In a normal Chapter 11 case that would be cause
10 determined exclusively right then and there for failure to
11 involve the committee in that process. But of course there is
12 no -- there is permanent exclusivity in the PROMESA statute.

13 But that doesn't change one section of the code, which
14 is Section 1103. And it says that one of the duties of the
15 committee is to be involved in the plan formulation process.
16 And courts have dealt with this generally, 99 percent of the
17 time -- in the context of exclusivity, I'll grant you that --
18 where if the committee comes in and says: Hey, we're being
19 excluded. And the court will say: I will grant you an
20 extension but you need to include the committee. I grant it,
21 it's in that context, that it is often raised. But it is not
22 only in that context.

23 In fact, there are some cases where a court has
24 compelled the debtor to meet and confer with the committee,
25 which is kind of ridiculous that you have to get to that point,

1 to meet and confer with the committee regarding the sale of the
2 company's business because the debtor refused to do that.

3 So what's happening, I want to be very precise, in
4 PREPA is that they announced that deal in August. We, of
5 course, expressed shock and anger about that. And it took us
6 until January of this year to get the various exchanges of back
7 and forth between the board and the PREPA secured creditors.
8 But to this day they refuse to include us in the negotiation
9 process, meaning --

10 THE COURT: And so you mean you have been given access
11 to records of past communications but you're not involved in
12 active communications?

13 MR. DESPINS: Correct. I will give you an example.

14 I am not saying that's the case now. It's just an
15 example.

16 If today the Board is making a counteroffer -- I'm not
17 saying they are -- if they are making today a counteroffer to
18 those bondholders, we're not seeing that until after it's made.
19 So we have no ability to communicate to the board to say: Wait
20 a minute. This doesn't make sense for the following reason.

21 And you might say: Why is he raising this now?
22 What's the -- other than complaining? Because what I don't
23 want is six months from now, or I don't know how long it will
24 take for PREPA, but I don't want to be at the confirmation
25 hearing where we're complaining about the fact that the

1 committee was not involved in that process, for your Honor or
2 somebody else to say: Wait a minute. This guy was in court
3 all along. He heard all these status reports. He never said a
4 word about it.

5 And so that's what we're saying. We think it is not
6 appropriate at all for an official committee to be excluded
7 from the plan formulation and negotiation process. And, in
8 fact, when Mr. Bienenstock said that he might have a plan by
9 the end of April in the Commonwealth case, I mean I had a mild
10 panic attack when I heard that. I just -- if they have that,
11 that means they have a draft plan which we've never seen,
12 never -- and so, your Honor, I know we typically and especially
13 in district court you have to file pleadings if you want to
14 seek relief from the court to be heard, etc., etc. We
15 understand that.

16 But this is a status conference. Your Honor under 105
17 has all sorts of powers to direct certain things to happen.
18 But the committee has a statutory right, and the law is clear
19 that 1103, it's not only that the committee can be involved in
20 plan formulation but the debtor has a corresponding duty to
21 include the committee as a fiduciary in plan formulation.

22 So if the committee is not involved in that plan
23 formulation, it cannot serve its function, and it doesn't help
24 to say for the board after: We did cut a deal with so and so,
25 you can see the results of that. That's not the way it's

1 supposed to work. We're supposed to be there side by side with
2 them. And we don't have a veto. I want to be clear. They may
3 disregard our positions, but we need to be involved in the plan
4 formulation process which means the ability to comment real
5 time on negotiations.

6 THE COURT: As you know, one of my general principles
7 of case management is that I don't expect to be asked to take
8 action that hasn't first been processed offline. So, have you
9 confronted the Oversight Board with these issues? Do you have
10 any understanding of what the Oversight Board's perspective is
11 on this before I ask Mr. Bienenstock or Mr. Rosen?

12 MR. DESPINS: We have been consistently complaining
13 about being excluded from the PREPA negotiations. As recently
14 as a month ago I sent an e-mail that went unresponded to,
15 unanswered to that specific question. The board -- well I
16 shouldn't say that. The professionals for the Oversight Board
17 know that the committee is displeased about not being included
18 in that process and that we should be included not after the
19 fact when they make an offer but rather before they make the
20 offer, in the process, and we should be involved in the
21 documentation.

22 Again, if there's any contemplation of a plan in the
23 Commonwealth by April, that's just around the corner, there has
24 to be a plan drafted somewhere. I can't believe the committee
25 has not seen that. So I -- yes, we've repeatedly said to the

1 professionals of the Oversight Board, I'm using PREPA as an
2 example, how displeased the committee is about not being
3 included in the process and that we should be.

4 Yes, your Honor.

5 THE COURT: Thank you, Mr. Despins.

6 Mr. Bienenstock.

7 MR. BIENENSTOCK: Thank you.

8 Thank you, your Honor. Martin Bienenstock, Proskauer,
9 for the Oversight Board.

10 Much of what I'm about to say, and I'll keep it brief,
11 may be news to the Court because we haven't discussed some of
12 these things before. But I don't think much of what I'm going
13 to say is news to Mr. Despins which makes his remarks somewhat
14 surprising to me this morning.

15 Number one, there have been more negotiations of the
16 Oversight Board with members of Mr. Despins's committee than
17 with any other group in this case. So the notion that the
18 Oversight Board has ignored the committee is just completely
19 wrong for starters. The union negotiations that affect work
20 rules, freezes, all -- affect billions of dollars of savings
21 and tradeoffs have been with members of his committee. And if
22 those members -- well I don't know what their relationship is
23 with the committee professionals or the other members but the
24 committee has definitely not been ignored.

25 In respect to PREPA, as Mr. Despins conceded, the

1 announcement that he heard was an understanding, an RSA with
2 secured claim holders; not the unsecured claim holders for
3 which the committee is a representative.

4 And at Mr. Despins's request, which he made to me in
5 San Juan I think at the last omnibus hearing there, the last
6 one or the one before that, I made sure at his request that he
7 was given the documents he advised the Court this morning that
8 he did have, which were the offers and counteroffers between
9 the Oversight Board and the group of security claim holders
10 that announce their RSA with the Oversight Board.

11 As Mr. Despins also mentioned, we speak all the time
12 and we speak very candidly. And I have been grateful to
13 Mr. Despins that we've been able to have these conversations.
14 And a lot of them don't go any further than the two of us, so
15 he knows exactly what's going on and hopefully that can
16 continue. But, it's not as if there's been any effort by the
17 Oversight Board to keep the Committee in the dark.

18 Now, insofar as the plan that I said earlier we
19 would --

20 THE COURT: I'm sorry. If I can just ask you a
21 question. I think -- my impression on a sort of macro level of
22 what Mr. Despins was saying was that he has a position or an
23 expectation that the UCC qua UCC as an entity should have a
24 place at the table in any negotiation of economic rights that
25 would be baked into a plan.

1 Mr. Despins, would you just speak into the microphone
2 in front of you say yes, no, or you're totally off, Judge.

3 MR. DESPINS: You're exactly right. And -- can you
4 hear me?

5 THE COURT: I can hear you but keep it brief, please.

6 MR. DESPINS: So the fact that the unions are being
7 dealt with or being --

8 THE COURT: I'm sorry. The mics apparently don't feed
9 into the system from that table. And so you started out
10 saying, "you're right, Judge." So I'll take that as, "You're
11 roughly right, Judge," and ask Mr. Bienenstock to contextualize
12 in that respect his comments about having had discussions with
13 unions about union matters and having briefed Mr. Despins on
14 certain matters which didn't sound to me like an acceptance of
15 the notion that the UCC should be in the room where any
16 economically significant negotiations are happening.

17 MR. BIENENSTOCK: OK. We have not bought off on that
18 in total. For instance, your Honor, the ERS creditors won in
19 the First Circuit as far as their security interests, as I
20 mentioned before. We plan to file a petition for certiorari
21 because we think your Honor's decision was correct. But in
22 terms of how much money we have to set aside for a secured
23 claim, that's -- if it turns out that we have to treat them as
24 secured, we didn't think that the UCC whose constituency are
25 the unsecured claimants really gets involved in a negotiation

1 of a secured claim.

2 In my conversations with Mr. Despins we usually cover
3 the waterfront and probably not in a lot of detail for each of
4 these negotiations. But when it comes to negotiating what will
5 be available for general unsecured claim holders in the case,
6 the committee will be front and center as far as the board is
7 concerned and they will be very much involved. But when we
8 have to negotiate deals with each secured creditor, it hasn't
9 been my experience in any Chapter 11 case that you bring in the
10 representative of the unsecured claim holders to help you with
11 the secured claim holders. And that seems to be what
12 Mr. Despins is asking for.

13 These are all very complicated. They have a lot of
14 parameters that we have to deal with. And if they -- I doubt
15 we would actually do the deal without telling them first and
16 getting their input.

17 But as far as negotiating it, as an example, your
18 Honor, at the last mediation, without any input from us, the
19 committee was not invited to certain parts by the mediators.
20 We didn't urge that or not urge it. It was the mediators'
21 decision. And I think it's sort of consistent with what I'm
22 saying which is negotiations between the board and secured
23 claim holders and the like or claim holders in special
24 positions don't really require an extra party at the table.

25 If your Honor would like us to change that, obviously

1 we will do whatever your Honor asks. But we think we've
2 proceeded efficiently and we've kept the committee advised of
3 where we're going.

4 And if I had an ultimate plan that I had in mind that
5 we were going to propose by the end of April, I would have
6 shared it with Mr. Despins. It doesn't exist yet because it
7 depends primarily on impaired accepting classes and how much
8 money do we have to go around once we have to set aside money
9 perhaps for ERS creditors and others. And we have to finish
10 that before we get to distributing the money to the unsecured
11 claim holders, at which point the committee would be a primary
12 negotiator at the table.

13 THE COURT: What I'm asking at this point is that
14 there be a revisitation of this issue offline and clarity as to
15 what the Oversight Board believes the protocol ought to be
16 vis-a-vis the UCC and involvement in particular pieces of what
17 is admittedly an extremely complicated puzzle. To the extent
18 Mr. Despins is not satisfied with that and wants to queue up an
19 application to me for a different or further or more powerful
20 seat at a table or whatever, he will need to be very clear
21 about that and the legal grounds for and the purpose of that in
22 relation to the position that the Oversight Board is taking.
23 But I am not, beyond that direction to be in communication
24 about that and have clarity as between yourselves and
25 Mr. Despins having to decide what battles he wants to fight,

1 when and where, and about what, I am not making any particular
2 direction.

3 MR. BIENENSTOCK: Thank you, your Honor.

4 THE COURT: Thank you.

5 Mr. Rosen.

6 MR. ROSEN: Your Honor, if I may.

7 Your Honor, I rise only to address the first part of
8 Mr. Despins's comments with respect to the ADR.

9 Your Honor, Mr. Despins is correct in one regard and
10 totally wrong in another. We've been working on this process
11 for a very long period of time. We, in connection with
12 O'Melveny and even Paul Hastings, developed an ADR procedure
13 that we continue to work on and tweak as time goes on,
14 including last week I received comments from Mr. Despins's
15 office with some changes to the process that he would like.
16 And at the same time, your Honor, as I believe your chambers
17 may know, we've been working with the administrative office and
18 Ms. Abdelmasieh on some provisions that she thinks would be
19 appropriate for inclusion in the ADR procedures.

20 We are hoping to get that on file and for
21 consideration by the Court at the April 24 omnibus hearing, but
22 that continues to be refined, your Honor, and we continue to
23 work on a motion that we have circulated to the committee
24 itself to get their feedback.

25 As I said, your Honor, we anticipate that we should

1 file that with the Court in time to be heard a month from now.

2 THE COURT: Thank you.

3 Mr. Despins has a skeptical look on him so he can go
4 to the podium.

5 MR. DESPINS: Again, that's symptomatic of the
6 problems. We've asked to be included in the discussions with
7 the office -- I forget the exact title -- because there are
8 issues about selection, about how do we deal with who, if it's
9 not your Honor, who would be handling this process. And we
10 have asked repeatedly to be involved in that. That has not
11 happened.

12 The draft motion that was sent to us doesn't have
13 anything about ADR and, actually, that's what we said. If
14 there is no ADR we cannot -- basically it provided for a
15 process to object to claims generally. And we said the Court
16 is not going to get involved in the merits of these objections
17 without an ADR process. So to say that that motion can be
18 received containing an ADR process is just not accurate. It's
19 going to be responded saying it needs to contain in the ADR
20 process.

21 So we're happy to resolve it. But the point is we've
22 been at this for a year and three months. It's just, you know,
23 as I said, *res ipsa loquitur*. Somehow it's not getting done.

24 THE COURT: So, Mr. Rosen and Mr. Despins will also
25 have another conversation after this.

1 MR. ROSEN: We will, your Honor.

2 And just to be clear once we have --

3 THE COURT: I have to repeat. I think that's a dead
4 microphone. So Mr. Rosen said: "We will, your Honor," and is
5 heading to the podium.

6 MR. ROSEN: I apologize, your Honor. I just have to
7 make the record clear. Every time that we do receive comments
8 from the administrative office and we revise the procedures
9 that they are requesting, we provide a copy of that to
10 Mr. Despina's office.

11 So he doesn't have to be on every phonecall but he
12 gets the benefit of the conversations that were had. I can't
13 have Mr. Despina sitting next to me in my office when someone
14 calls and say I can't talk to you because I have to find him.
15 We do provide him with the benefit of all of the work product
16 that is generated, your Honor.

17 THE COURT: And my general understanding of the nature
18 of those discussions is that they go to what is feasible in
19 terms of procedure and role of members of the judiciary
20 potentially and powers of different types of members of the
21 judiciary and how that might be pulled together in aid of an
22 ADR process that's an alternative to an adjudicative process or
23 something that works alongside an adjudicative process.

24 MR. ROSEN: That is correct, your Honor. We had
25 discussions with, first, the mediation team and then the

1 administrative office at the same time to try and figure out
2 what was the best way to do this and what they told me were the
3 requirements to try to do this.

4 So, I believe now what we've included in the latest
5 version of these procedures is the process that the AO believes
6 is appropriate subject, obviously, to your review and your
7 input in telling us that it's right or wrong or one of those
8 other alternatives you gave to Mr. Despins earlier.

9 So, yes, your Honor we're getting close to it and we
10 are hoping to get it before the Court shortly.

11 (Continued on next page)
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1 THE COURT: Thank you.

2 And while you are up there, may I make one of the
3 request of you, which goes back to the COFINA presentation?

4 MR. ROSEN: Yes, your Honor.

5 THE COURT: Would you just file as an informative
6 motion the demonstrative that you displayed so that the record
7 is complete from this hearing.

8 MR. ROSEN: Absolutely, your Honor. We will do that.

9 THE COURT: Thank you.

10 I believe Mr. Luskin?

11 MR. LUSKIN: Yes, your Honor. Good morning. Michael
12 Luskin, Luskin, Stern & Eisler, for the board.

13 I am here to report, first, I think, as the court
14 knows, we filed our report on the McKinsey matter on February
15 18, and the board immediately turned to the task of reviewing
16 and implementing the recommendations, and it is really about
17 those that I wanted to brief the court. That is the new news.
18 I think the report speaks for itself.

19 The recommendations -- there were eight of them in the
20 report -- are being implemented under the direction of the
21 board's general counsel and ethics advisor, and they are being
22 implemented across the board. It will affect all of the
23 board's third-party vendors.

24 Very briefly, they are, first, with respect to
25 affiliate disclosure, the board's forms and certifications are

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1 being revised to include vendor affiliates. So in the McKinsey
2 case, that would mean a description disclosure about their
3 investment business MIO.

4 THE COURT: Just before you go on, I have read the
5 report -- I am sure 99 percent of the people here have -- but
6 am I correct in recalling that the report concludes that there
7 was no noncompliance with any rules or requests that were in
8 place at the time of the retentions, but that there is now a
9 set of recommendations by way of better practices and things
10 that the report recommends be put in place going forward, and
11 that's what you are describing now?

12 MR. LUSKIN: That is absolutely correct, your Honor.
13 Given my time allotment on the agenda, I didn't plan on going
14 through the report itself, but your Honor is absolutely
15 correct.

16 THE COURT: I thought it would be good to have a
17 baseline in terms of talking about the recommendations.

18 MR. LUSKIN: And I appreciate it. That is correct.
19 They did comply. But, again, hindsight is perfect. It would
20 have been nice to have known, and what the recommendations
21 really are addressed to is making sure that, going forward, we
22 will know.

23 So the first one is addressed to the description of a
24 particular vendor's affiliates, if relevant. In McKinsey's
25 case, they have an investment bond MIO, as we all know. Yes,

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1 it would have been nice to have known and to have had a
2 description of it at the outset. Going forward, the
3 recommendation is that all vendors will have to make such
4 disclosures about their affiliates, lines of business,
5 corporate organization, and so on.

6 Likewise, the interested party list that was used by
7 the board on day one -- and just to remind everyone, day one,
8 this was long before the PROMESA proceedings. This was in the
9 fall of 2016. There was a board with no staff, with no
10 computer system, with really nothing. They put together the
11 interested party list. It's been expanded some. But one of
12 our major recommendations is that a full-blown interested party
13 list be developed that include not only the Commonwealth and
14 its various agencies and departments and other
15 instrumentalities, but also major creditors, major litigants,
16 other parties in interest, investors, insurers, the monoline
17 insurers, litigation parties that come to light as new
18 adversaries get filed. And that's being done. That is a
19 fairly laborious task, but it is one that is familiar to
20 professionals working in this field and it is being done.

21 Our third and fourth recommendations had to do with
22 the direct and indirect relationships. In particular what we
23 were looking at, of course, were investments. It doesn't
24 always involve investments. A direct relationship could be a
25 vendor having a contract with a Commonwealth department which

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1 would be a conflict with its work for the board.

2 But of course with the McKinsey investigation it
3 involved direct investments. There was a time when McKinsey
4 had direct investment in Puerto Rico public debt, since
5 disposed of, and it did and does and presumably will continue
6 to have indirect investments through third-party funds over
7 which it has no discretion and no control, and that's not an
8 unfamiliar structure. The difference in McKinsey's case is
9 that there is common ownership at the very top of the
10 investment vehicle or the investment business.

11 And treatment of how to deal with direct and indirect
12 investments, whether they are investments or -- excuse me, how
13 to deal with direct and indirect relationships, whether they
14 are contract relationships or investment relationships, will
15 depend, first, on the quality and scope of the conflict check.
16 If we are dealing with appropriately broad lists of parties and
17 interested parties to cross check, then we will be able to
18 analyze the hits, how many hits are they, what are they, are
19 they direct, are they indirect, and how can they be dealt with,
20 and that will be done on a case-by-case basis. It will vary.
21 I think the search for a vendor like McKinsey is clearly more
22 extensive than the search that would be involved for a more
23 routine vendor providing some kind of service to the board.

24 Our fifth recommendation was that vendors' public
25 filings or their affiliates' public filings be included as part

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1 of the process. I think that we all know from the press
2 reports on McKinsey that it was through public filings that
3 investigators, reporters, and others were able to connect the
4 dots and go from proofs of claim filed in the PROMESA Title III
5 case to forms ADB, the advisory forms filed with the SEC, and
6 other public filings and figure out that, yes, it is possible
7 or likely that McKinsey or someone else had an investment in
8 Puerto Rico public debt.

9 We have recommended that the burden be placed on the
10 vendors to make those disclosures right at the outset to the
11 board -- here are our public findings, this is what they show,
12 this is what they don't show, they are either relevant or
13 not -- so that we don't have to hunt around for them.

14 Our sixth recommendation was, again, as appropriate,
15 to have vendors who do have or are likely to have conflicts or
16 the appearance of conflicts make full disclosures of the
17 practices and policies, the written policies and procedures
18 they have in place, to ensure that affiliate lines of business
19 or indirect conflicts don't actually present a disabling
20 conflict.

21 In McKinsey's case, that forms a large part of my
22 report. We describe the policies and procedures. They are
23 extensive. And I don't think McKinsey is unique in that
24 regard. I think many large institutions have similar policies
25 and implement them and enforce them as McKinsey does. And I

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1 think that, certainly in McKinsey's case, they have gone a long
2 way, really all the way, to providing the comfort to the board
3 that there are no conflicts, that the barriers are intact, and
4 that there are no violations.

5 The final two recommendations are really sort of
6 housekeeping procedural. It is important that vendors update
7 their conflict checks and disclosures. The board is
8 implementing a semiannual update process that will also require
9 *ad hoc* realtime updates if something material comes to light.
10 So that is being put in place.

11 And, finally, as I have mentioned, the board is in the
12 process of reviewing and revising all of the relevant contracts
13 and policies and vendor certifications that it has in place.
14 This is an ongoing process with the board now. I think that
15 there will be a formal presentation of all this work to the
16 board for its formal adoption, and so that will all be part of
17 the public record.

18 I know your Honor is going to ask for a timeline, and
19 I can't really give you a clear answer. I can tell you they
20 are working on this now. I think this will probably be -- the
21 contract review and implementation, I'm sure, will be done in
22 the next month or so. I think implementing the broader list of
23 interested parties is a process, just given the sheer number of
24 them. It is one thing for me to say that we should check
25 proofs of claim on file. There are 165,000 of them. So

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1 clearly some discretion and common sense is going to have to be
2 applied, and that may take a little longer to figure out how
3 best to organize those searches.

4 THE COURT: Would you expect generally to have either
5 completed or made substantial progress on the major structural
6 components of these recommendations within the next, let's call
7 it, 90 days.

8 MR. LUSKIN: Oh, absolutely, your Honor, yes. I'm
9 hopeful even shorter than that, but certainly 90 days, yes.

10 THE COURT: Thank you very much.

11 MR. LUSKIN: Okay. So if I may be excused, unless the
12 Court has any questions?

13 THE COURT: I have no further questions at this time.
14 Thank you, Mr. Luskin.

15 MR. LUSKIN: Thank you very much, your Honor.

16 THE COURT: So I think that concludes the status
17 reports and commentary thereon, and I would now turn to the
18 report of the Fee Examiner, Ms. Stadler.

19 I'm sorry, Mr. Stancil.

20 MR. STANCIL: Might those not involved be excused? We
21 would like to stop the meter running, if we could.

22 THE COURT: Yes, you may.

23 MR. STANCIL: Thank you.

24 THE COURT: So just to be clear, what remains on the
25 agenda are Fee Examiner issues and objections to claims, many

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1 of which are uncontested, some of which are contested. So if
2 anyone would like to leave the courtroom now, you may do so.

3 Thank you all for attending. Be well.

4 (Pause)

5 THE COURT: All right. Thank you, Ms. Stadler.

6 MS. STADLER: Good morning, Judge. The Fee Examiner,
7 Brady Williamson, and I, as counsel, Katherine Stadler, of
8 Godfrey & Kahn, are here today, first, to recommend a group of
9 fourth interim fee applications for the court's approval
10 covering the period from June 1st through September 30 of 2018.
11 We reiterate the observations and recommendations in the report
12 filed last week, Docket No. 5409 and ask the court to approve
13 on an interim basis the applications set forth in Exhibit A to
14 that report.

15 I am happy to answer any questions about the fourth
16 interim applications or any other pending fee application.

17 THE COURT: I have reviewed the report, including the
18 amended report that was filed yesterday or the day before. I
19 have no questions. I appreciate the care that has gone into
20 the preparation of the recommendations and all of the
21 discussions underlying the recommendations. So having had no
22 objection to the recommendations, I approve the recommended
23 disbursements as outlined in I think it is Exhibit A to the Fee
24 Examiner's report. I understand that we have been provided
25 with a proposed order consistent with those recommendations,

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1 and I will enter it.

2 MS. STADLER: Thank you, Judge.

3 THE COURT: And also, for clarity, I grant the
4 application to put over to the April omni the recommendations
5 as to presumptive practices and the request to put the
6 applications listed in Exhibit C to the Fee Examiner's report
7 also over to the April omni at least in the first instance.

8 MS. STADLER: Thank you, Judge.

9 If there are no further questions, I have nothing else
10 to add. Thank you.

11 THE COURT: All right. Thank you. Thank you,
12 Mr. Williamson, for attending as well.

13 So now I think we are turning to the uncontested claim
14 objections. Ms. Stafford.

15 MS. STAFFORD: That's correct, your Honor. Laura
16 Stafford for the Financial Oversight Management Board, from
17 Proskauer Rose. I am here to address the uncontested COFINA
18 claim objections as well as the first nine of the contested
19 claim objections, and I will defer to my colleague Mr. Rosen to
20 handle the 10th through 13th contested objections.

21 I am happy to address the uncontested objections in
22 whatever manner the Court feels most appropriate. I can give a
23 brief overview of each of them or I can handle it however your
24 Honor would prefer.

25 THE COURT: I think, for efficiency's sake, I have

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1 reviewed them and also reviewed the summary information
2 provided in the agenda. I have no further questions. Nothing
3 has been filed challenging them. So if you would like to make
4 a single motion for grant of those uncontested claims
5 objections that are listed, I think, as items 1 through 31 in
6 Section III of the agenda, I think that would cover your
7 universe, and that would be acceptable to me.

8 MS. STAFFORD: That's perfect, your Honor.

9 And I did just want to note for the Court that several
10 of those objections were withdrawn last night pursuant to
11 withdrawals of the claims that were the subject of those
12 objections.

13 And with respect to the seventeenth omnibus objection,
14 which also was uncontested, as a result of other claim
15 withdrawals, we will submit an amended schedule of claims
16 subject to that objection to the court.

17 THE COURT: All right. So I am not sure that my
18 numbering is exactly right, because I think I have numbering
19 that pulled out withdrawn ones or something like that.

20 So the uncontested claim objections that have not been
21 withdrawn or amended are granted, or sustained, and will you
22 simply contact my chambers to make sure that we have an order
23 consistent with that ruling that we can enter?

24 MS. STAFFORD: Of course.

25 THE COURT: Thank you.

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1 MS. STAFFORD: Moving on to the contested claim
2 objections, the first of these was the sixth omnibus objection,
3 and this was an objection to a number of deficient claims that
4 failed to provide a basis for asserting liability against
5 COFINA or any of the other Title III debtors. We received a
6 number of responses to this objection and, as of the time that
7 we filed the agenda, there were 26 responses or amended
8 responses that were still pending. Eight responses have been
9 withdrawn since the time of the filing of the agenda, and I
10 believe the court has already entered orders withdrawing those
11 responses.

12 We did receive an additional withdrawal form from an
13 additional claimant, which we are happy to file with the court,
14 withdrawing another response, and that was the response filed
15 by Ms. Hedwig Auletta, at ECF number 4980.

16 We did receive an additional response withdrawal, but
17 because it requested that we agree that the claimant owned
18 certain bonds issued by the GDB, which the Oversight Board is
19 not authorized to do, we are unfortunately unable to file that
20 one as it was provided to us.

21 The remaining responses I am happy to address, again,
22 your Honor in whatever fashion you prefer. The majority of
23 them were --

24 THE COURT: I would like you to go through them one by
25 one in summary, and so you can get quickly to the bottom line

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1 of them being duplicative or whatever and the very clear reason
2 for that.

3 MS. STAFFORD: Sure. And I am happy to do that in the
4 order that they are listed on the agenda.

5 THE COURT: That would be helpful.

6 MS. STAFFORD: So the first of those was a response
7 filed by Jorge Catala Monge, and that claim was in his response
8 he provided information regarding a CUSIP number that's covered
9 by a master proof of claim.

10 The second response on the agenda filed by --

11 THE COURT: Okay. So we will do it item by item.

12 So the documentation establishes that Mr. Monge's
13 claim is duplicative of the master proof of claim, and so that
14 the objection to that claim is granted and it is disallowed. I
15 will enter an appropriate order. That is claim 5933. Is that
16 correct?

17 MS. STAFFORD: That's correct.

18 THE COURT: So now Peter Leavitt and Olga Stavros
19 Leavitt.

20 MS. STAFFORD: Peter Leavitt and Olga Stavros also
21 provided documentation regarding a CUSIP number that's listed
22 on the master proof of claim in response.

23 THE COURT: That objection is sustained and the claim
24 will be disallowed.

25 MS. STAFFORD: The next response was filed by Linda

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1 Bird, and it was -- withdrawal was already filed, and I believe
2 already ordered by the court.

3 THE COURT: Very well.

4 MS. STAFFORD: The same is true with respect to
5 Mr. Lowery and Ms. Ocampo's claim, claim number 6923. A
6 response withdrawal was filed and I believe already ordered by
7 the court.

8 THE COURT: Yes.

9 MS. STAFFORD: The same with respect to the response
10 filed by Linda Kaye with respect to claim number 4084. A
11 response withdrawal form was filed and I believe already
12 ordered by the court.

13 THE COURT: Yes.

14 MS. STAFFORD: The same with respect to the response
15 filed by Keith Gambino with respect to claim number 2054. A
16 withdrawal form was filed and already ordered by the court.

17 THE COURT: Yes.

18 MS. STAFFORD: With respect to the next item, José R.
19 Criado and Josefina del Valle's response with respect to claim
20 number 15865, that response contained documentation regarding a
21 bond issued by the Puerto Rico Public Finance Corporation,
22 which is not COFINA or any of the other Title III debtors.

23 THE COURT: So there is no evidence that they have any
24 claim against any debtor entity.

25 MS. STAFFORD: Correct.

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1 THE COURT: That objection is sustained, and the claim
2 will be disallowed.

3 MS. STAFFORD: The next item on the agenda with
4 respect to the response filed by Miriam Sanchez Lebron, and
5 this is also related to an item that will appear later in the
6 agenda under letter W, this claimant filed a large number of
7 documents, including a number of family history documents,
8 regarding her -- the marriage of some of her family members, a
9 certain birth certificate records and other family records for
10 her family members, as well as a large amount of documentation
11 regarding cases filed in Commonwealth local courts and a large
12 number of maps which claimant believes asserts liability
13 against COFINA with respect to her alleged ownership in lands
14 on which pharmaceutical companies have been built. None of
15 these documents provide any basis for liability -- for
16 asserting liability against COFINA, which doesn't purport to
17 own any of the land or any of the pharmaceutical companies on
18 which that land was built.

19 THE COURT: Is there any indication in the
20 documentation that has been filed that there would be a basis
21 for any claim against the Commonwealth or other current debtor
22 entities?

23 MS. STAFFORD: There is not, your Honor.

24 THE COURT: And the disallowance of the claim as
25 against COFINA would not be determinative of whether any other

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1 parts of the Puerto Rico government or its affiliates might
2 have some liability to Ms. Sanchez Lebron or her family?

3 MS. STAFFORD: That is correct, and Ms. Sanchez Lebron
4 filed claims against several of the other debtors as well,
5 which we will deal with at an appropriate time.

6 THE COURT: I understand that Ms. Sanchez Lebron is or
7 was in the San Juan courtroom. Does Ms. Sanchez Lebron wish to
8 be heard on this? Is that Ms. Sanchez Lebron? So if you are
9 going to speak, please go to the podium where the microphone
10 is.

11 MS. SANCHEZ LEBRON (through an interpreter): Shall I
12 start?

13 THE COURT: Yes, *buenos dias*.

14 MS. SANCHEZ LEBRON (through an interpreter): Good
15 morning, Honorable Judge Swain. My name is Miriam Sanchez
16 Lebron, and I am here to top object on the decision to
17 eliminate me from COFINA's claim. I understand that I have no
18 direct relationship to COFINA, but I do have an indirect one.
19 And I also have a direct relationship to the Commonwealth, to
20 the PREPA, with the Department of Public Works and Highway
21 Authority, and the Public Employees Retirement System.

22 Given that the evidence that I have submitted is real,
23 given that my grandfather Eladio Lebron was the owner of the
24 properties, which include buildings, roads, schools, let me
25 see, the schools, parks, and other important parts in Puerto

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1 Rico, such as arenas, stadiums.

2 And I have been requesting said evidence from the
3 Department of Justice for more than two decades, given that my
4 mother, who was the person who received the inheritance, and
5 once she died -- since she died, I have been pressing for
6 resolutions from the Department of Justice, and I have been
7 requesting these things for more than ten years. And now all
8 of this evidence that I have sent to you, it concerns some
9 research to which I have access and I was able to get
10 information. As a result of that investigation or some
11 research I conducted, trying to get information from the
12 Department of Justice of Puerto Rico, and as such I am claiming
13 my family's rights, which belong to Eladio Lebron, my
14 grandfather, and Juana Lebron Perez, my mother. And I
15 understand that I should not be excluded from my petition,
16 given that there are -- five of these agencies are directly
17 related to my case. And my only relation to COFINA is not
18 direct, it is indirect, but there is a relationship.

19 THE COURT: What is the nature of that relationship,
20 that indirect relationship to COFINA, please?

21 MS. SANCHEZ LEBRON (through an interpreter): Well,
22 what happens is that in Puerto Rico there are several
23 pharmaceutical companies and companies which are currently
24 built on land that belonged to my grandfather, and I understand
25 that, from there, that's where bonds were issued and that we

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1 have not received one penny from the value of those lands.

2 THE COURT: Thank you. At this point I am going to
3 ask Ms. Stafford to respond.

4 MS. STAFFORD: Sure. COFINA -- the claimant has
5 asserted liability with respect to -- against COFINA with
6 respect to lands on which pharmaceutical companies and other
7 buildings have been built. COFINA doesn't own or assert any
8 ownership interest over any of the lands with respect to which
9 Ms. Lebron asserts a claim, and so we respectfully submit that
10 there is still no basis for a claim that has been asserted
11 against COFINA.

12 Ms. Lebron does retain claims against --

13 THE COURT: A little slower.

14 MS. STAFFORD: Sorry.

15 Ms. Lebron does retain claims against multiple other
16 Title III debtors; and if she wishes to reraise these
17 arguments, there we are happy to deal with them at the
18 appropriate time.

19 THE COURT: Ms. Sanchez Lebron, the information that
20 you have provided here about the indirect relationship, as you
21 put it, with COFINA is not sufficient to persuade me that you
22 have a claim against COFINA, and today I am dealing just with
23 the matter of the claim against COFINA. And so I find that the
24 objection to your claim against COFINA is a valid objection,
25 and I sustain it, and the claim will be disallowed as against

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1 COFINA.

2 You have filed claims against other debtor entities,
3 and this does not prevent you from pursuing those claims. I
4 would advise you to seek the help of an attorney to make clear
5 the nature of your claim. And to the extent you are going
6 forward, you will need at least to be able to identify
7 particular properties to particular debtor entities and explain
8 why it is you feel there is money owing from those properties,
9 that they weren't properly sold or whatever happened in the
10 past was not sufficient. That will need to be clearer for the
11 debtors and for the court, and that will be helpful as we go
12 forward.

13 So I thank you for coming to court and for listening
14 to my ruling, and I hope that you understand it, and I wish you
15 a good day. Thank you.

16 MS. SANCHEZ LEBRON (through an interpreter): Thank
17 you. Thank you.

18 MS. STAFFORD: Before we return to the items on the
19 agenda, the Fee Examiner and Fee Examiner's counsel would
20 request to be excused if that's all right.

21 THE COURT: Yes. Thank you for coming. And
22 Mr. Despina, as well.

23 MR. DESPINA: Thank you.

24 THE COURT: We can continue.

25 MS. STAFFORD: Great.

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1 The next item on the agenda is a response filed by
2 Lorenzo Dragoni with respect to claim number 29295. We
3 received a response withdrawal form with respect to that claim,
4 and I understand your Honor has already entered an order with
5 respect to this one.

6 THE COURT: Yes.

7 MS. STAFFORD: The same is true with respect to the
8 next item on the agenda. The response filed by Carmen
9 Cebollero de Dragoni, a response withdrawal form was filed and
10 already acted upon by your Honor.

11 THE COURT: Yes.

12 MS. STAFFORD: The next item on the agenda, the answer
13 and opposition to objection to claim filed by Edilberro
14 Berrios Perez and Ariadne Febles Gordian, we did receive --
15 this is the one for which we received a response withdrawal
16 form requesting that we acknowledge a claim that had been filed
17 and ownership of funds held by these claimants with respect to
18 the Government Development Bank. Unfortunately, we are unable
19 to enter that because we are not able to represent anything
20 with respect to their ownership or GDB bonds. But because the
21 response does not assert any liability against COFINA, we
22 respectfully request the objection be granted with respect to
23 this claim.

24 THE COURT: The objection is sustained as to the claim
25 against COFINA, and so the claim against COFINA will be

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1 disallowed. Since the GDB is not a debtor in this proceeding,
2 I have no authority to direct GDB to do anything, so that part
3 of the application is denied for lack of jurisdiction.

4 MS. STAFFORD: Thank you, your Honor.

5 The next response was filed by Hedwig Auletta
6 regarding claim number 17116. We received a response
7 withdrawal form. We have not had -- we have not had an
8 opportunity to submit it to your Honor just yet. I am happy to
9 provide it in an informative motion to the court.

10 THE COURT: I would be grateful for that. Thank you.

11 MS. STAFFORD: Sure.

12 The next item on the agenda, the response of Maria
13 Emelia Casasnovas to this -- this claimant also provided
14 documentation which indicated that her -- a CUSIP number
15 associated with this claim was covered by a master proof of
16 claim.

17 THE COURT: So the objection is sustained and the
18 claim is disallowed as duplicative.

19 MS. STAFFORD: The next item on the agenda is response
20 of Maria Emelia Casasnovas and Javier Garcia Garrido was also
21 provided documentation regarding a CUSIP number covered by a
22 master proof of claim.

23 THE COURT: The objection is sustained and the claim
24 is disallowed as duplicative.

25 MS. STAFFORD: The next item the response filed by

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1 Carlos A. Costas. This claimant provided documentation
2 regarding a contra-CUSIP number which, pursuant to the
3 flowchart that Mr. Rosen presented earlier, is linked to an
4 original CUSIP number which is on the master proof of claim.

5 THE COURT: I just have a question about the mechanics
6 of that.

7 So how is it that the December 2018 account statement,
8 which would precede the confirmation of the plan and the
9 implementation of the plan, include an updated contra-CUSIP
10 number? If you could just help me to be comfortable with the
11 matching up of these numbers, please.

12 MS. STAFFORD: So we matched the numbers on the basis
13 of a document provided by a Prime Clerk which identified the
14 contra-CUSIP numbers and the corresponding original CUSIP
15 numbers. I am not entirely clear on why the December 2018
16 statement would include a contra-CUSIP number, but I am happy
17 to provide a supplemental information to the court about that.

18 THE COURT: Would you please do that so that we can
19 close the loop and have a clear record.

20 MS. STAFFORD: Of course.

21 The next item on the agenda is the Casasnovas Balado
22 and Lolita Gandarilla claim. This claimant also provided
23 documentation regarding a CUSIP number that is covered by a
24 master proof of claim.

25 THE COURT: The objection is sustained and the claim

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1 is disallowed as duplicative.

2 MS. STAFFORD: The next two items relate to a response
3 filed by Casasnovas and Trinidad Nieves, and these are also
4 contra-CUSIP claimants that provided information regarding a
5 contra-CUSIP number, and if your Honor has the same concern
6 about the dates, I am happy to provide supplemental information
7 about that as well.

8 THE COURT: Yes. Please do that.

9 MS. STAFFORD: With respect to the next item, Marini
10 Quesada filed a response, V. Marini filed a response --

11 THE COURT: So Q and R are identical --

12 MS. STAFFORD: I believe --

13 THE COURT: -- with Casanovas and Trinidad Nieves.

14 MS. STAFFORD: Yes. I believe one was an amended
15 version of a previous filing.

16 THE COURT: Thank you. So those will both be covered
17 by the supplement, and we will dispose of those at the same
18 time.

19 MS. STAFFORD: Thank you.

20 So Item S on the agenda, the Marini Quesadas have also
21 provided documentation regarding a CUSIP number that's
22 duplicative of a master proof of claim.

23 THE COURT: And so the amended response is in
24 subsection Z?

25 MS. STAFFORD: That is correct, your Honor.

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1 THE COURT: And so they are both duplicative.

2 MS. STAFFORD: Yes.

3 THE COURT: And so I grant the -- I sustain the
4 objection as to items S and Z as duplicative of the master
5 proof of claim and will enter an order accordingly.

6 MS. STAFFORD: Item T, your Honor, regards a response
7 filed by Rafael Rodriguez Quintana. This response was also
8 withdrawn, and I believe your Honor has already entered an
9 order to that effect.

10 THE COURT: Yes.

11 MS. STAFFORD: The next response was filed by
12 Margarita Guzman de Vincenty. This claimant also provided
13 documentation of a CUSIP number that was covered by a master
14 proof of claim.

15 THE COURT: The objection is sustained and the claim
16 is disallowed as duplicative.

17 MS. STAFFORD: The next item is a response filed by
18 Carlos Ifarraguerri Gomez. This individual provided
19 documentation regarding a mutual fund investment which is
20 either duplicative, to the extent they are claiming liability
21 associated with bonds purchased by the mutual fund, bonds
22 issued by COFINA that were purchased by the mutual fund or
23 there is no basis for a claim against COFINA to the extent the
24 claimant asserts liability on the basis of the mutual fund's
25 investments in other issuers' bonds.

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1 THE COURT: So just so that I understand, his
2 documentation shows that he is a mutual fund investor. To the
3 extent any of those mutual funds actually holds COFINA bonds,
4 the mutual fund would be the appropriate claimant, and so he
5 has provided no evidence of a valid direct claim as against
6 COFINA?

7 MS. STAFFORD: Correct, your Honor.

8 THE COURT: The objection to the claim is sustained
9 and the claim is disallowed for lack of an individual interest
10 in COFINA securities.

11 MS. STAFFORD: Item W on the agenda I believe we have
12 already dealt with, that is the submission of additional
13 evidence by Miriam Sanchez Lebron.

14 THE COURT: Yes.

15 MS. STAFFORD: Item X on the agenda is a number of
16 claims filed by the UBS Trust Company. These claims were all
17 duplicative of a master proof of claim of CUSIP numbers
18 identified on the master proof of claim, and I believe the
19 response itself notes that to the extent the plan is -- becomes
20 effective which, as your Honor knows, it has, then there would
21 be no need for these responses anymore.

22 THE COURT: And so should I disallow them as
23 duplicative or moot or -- I imagine you have to get rid of them
24 on the books somehow.

25 MS. STAFFORD: Right.

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1 THE COURT: So is disallowing them as duplicative
2 sufficient and effective here?

3 MS. STAFFORD: Yes.

4 THE COURT: All right. The objection is sustained and
5 the UBS claims are disallowed as duplicative.

6 MS. STAFFORD: Item Y on the agenda is the amended
7 answer of Carlos Ifarraguerri Gomez, and that amended answer
8 continued to provide documentation regarding mutual funds and
9 is related to item V, which we addressed a few moments ago.

10 THE COURT: And so both V and Y are disallowed for
11 lack of an individual interest in COFINA securities.

12 MS. STAFFORD: And I believe Z we dealt with in
13 connection with addressing the Marini Quesada response on item
14 S.

15 THE COURT: Yes.

16 MS. STAFFORD: That concludes the sixth omnibus
17 objection, your Honor, as to which no other responses were
18 filed.

19 THE COURT: Thank you. And we will just make sure
20 that we have orders that match up, and so if we have any issues
21 with what we have, aside from the supplemental material, I
22 guess we will reach out to you.

23 MS. STAFFORD: Perfect. Thank you, your Honor.

24 Moving on to the seventh omnibus objection as to
25 claims, this objection sought to reclassify 27 proofs of claim

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1 that have been filed in the wrong case; and, upon review of
2 COFINA's books and records, it was determined that any
3 liability, if such liability exists, should be asserted against
4 other debtors.

5 One response was filed by Francisco Toro de Osuna. In
6 connection with that response, documentation was filed
7 demonstrating evidence of a CUSIP number for a bond issued by
8 COFINA which was covered by a master proof of claim. Our
9 claims reconciliation agent, Alvarez & Marsal, reached out to
10 this individual, and I understand that he sent in a form return
11 on his COFINA claim in the last week. I don't believe it has
12 been processed as of yet.

13 THE COURT: So just one moment, because I did have a
14 question here. So as I understand it, he originally provided
15 CUSIP information relating to PREPA, but then --

16 MS. STAFFORD: That's correct, your Honor, and then
17 subsequently filed a UBS account statement that included
18 documentation of a claim against COFINA.

19 THE COURT: Okay. My note here says that the UBS
20 account statement indicated COFINA debt, but also PREPA and ERS
21 debt and GDB debt, but of course GDB is not a debtor. Your
22 position is that the COFINA claim is duplicative of the master
23 proof of claim so should be disallowed as duplicative. Are you
24 looking still to reclassify the claim insofar as it is
25 supported by documentation of PREPA and ERS holdings?

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1 MS. STAFFORD: Yes, your Honor. I understand that he
2 has filed claims against those other debtor as well, but we are
3 happy to have those -- the claim as it was filed against COFINA
4 reclassified to the extent it demonstrates evidence of those,
5 and we will deal with the -- those claims against ERS and PREPA
6 at the appropriate time.

7 THE COURT: All right. I think the order that we
8 received speaks only to the disallowance of the COFINA claim,
9 so will you submit an updated order --

10 MS. STAFFORD: Of course.

11 THE COURT: -- that deals with the reclassification as
12 well?

13 MS. STAFFORD: Of course.

14 THE COURT: Great.

15 MS. STAFFORD: Next, moving on to the twelfth omnibus
16 objection, this omnibus objection sought to disallow in their
17 entirety 500 proofs of claim which assert liabilities
18 associated with one or more bonds issued by COFINA that are
19 duplicative of a master proof of claim. Three responses were
20 pending as of the time we filed the agenda. Two of those
21 responses have since been withdrawn or we have received
22 withdrawal forms, and I believe we have not yet submitted them
23 to the court, but we are happy to do so.

24 THE COURT: Good. Which ones are those?

25 MS. STAFFORD: That would be the B and C on the

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1 agenda, the responses filed by the Cooperativa de Jayuya and
2 Cooperativa de Caribe.

3 THE COURT: Very good. And so that is --

4 MS. STAFFORD: That leaves us with response A.

5 THE COURT: Yes, Bracero Torres?

6 MS. STAFFORD: Yes. And Mr. Bracero Torres's response
7 does not address the substance of COFINA's objection that his
8 claim is duplicative. It simply alleges Mr. Bracero Torres's
9 displeasure with the plan of adjustment itself.

10 THE COURT: And your documentation indicates that in
11 fact the claim is duplicative.

12 MS. STAFFORD: That's correct.

13 THE COURT: So the objection is sustained and the
14 Bracero Torres claim is disallowed as duplicative of a master
15 proof of claim.

16 MS. STAFFORD: Thank you, your Honor. We will be
17 submitting new schedules for the court with respect to this
18 omnibus objection as well because, as a result of certain claim
19 withdrawals, there are claims that no longer need to be covered
20 by this objection.

21 THE COURT: Very good.

22 MS. STAFFORD: With respect to the thirteenth omnibus
23 objection, this objection sought to disallow in their entirety
24 500 proofs of claim which assert liabilities associated with
25 one or more bonds issued by COFINA, which are duplicative of a

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1 master proof of claim. There are a number of filings on our
2 agenda that are related to this omnibus objection. Four of
3 them were filed by Peter Hein, and his response has been
4 adjourned to the April omnibus hearing.

5 There were two joinders filed by the GMS Group to the
6 Hein filings but, upon review of those joinders, they relate
7 only to the portion of Mr. Hein's filings that addressed his
8 objections to the COFINA plan of adjustment. They don't
9 actually address the thirteenth omnibus objection at all. The
10 GMS group hasn't filed a proof claim against COFINA and is not
11 listed as a claimant on the thirteenth omnibus objection, and
12 so we would request the court strike the GMS Group's joinder to
13 the extent it sought to join the thirteenth omnibus objection
14 as to claims.

15 THE COURT: That is granted. Have you given us a
16 proposed order doing that or --

17 MS. STAFFORD: I believe so, but we will verify and
18 make sure that everything is appropriate with the clerks.

19 THE COURT: Very good.

20 MS. STAFFORD: There is an additional withdrawal that
21 we have received with respect to Farmacia La Ventana, who is
22 the next item on the agenda. I believe that that has been
23 submitted to the court and, if not, I will be happy to submit
24 it.

25 THE COURT: All right. If you will just -- so that

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1 has been withdrawn?

2 MS. STAFFORD: A response withdrawal form was
3 received, your Honor.

4 THE COURT: So if you will just follow up and make
5 sure that we deal with that appropriately.

6 MS. STAFFORD: Of course.

7 THE COURT: Thank you.

8 MS. STAFFORD: The remainder of the claims --

9 THE COURT: So there were two Farmacia La Ventana
10 responses.

11 MS. STAFFORD: Yes. I believe there was one answer,
12 either an amended answer or a redacted answer, that was
13 provided.

14 THE COURT: Okay. So that's F and G.

15 MS. STAFFORD: F and G.

16 THE COURT: All right. So now we come to Del Valle
17 Martinez?

18 MS. STAFFORD: Yes and Mr. Del Valle Martinez has
19 submitted a response which provides information regarding a
20 CUSIP number that is covered by a master proof of claim.

21 THE COURT: The objection to claim is sustained and
22 that claim is disallowed as duplicative.

23 MS. STAFFORD: And with respect to the next item on
24 the agenda, the response filed by Margarita Guzman de Vincenty,
25 this response also provided documentation regarding a CUSIP

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1 number that is duplicative of a master proof of claim.

2 THE COURT: The objection is sustained and the claim
3 is disallowed as duplicative.

4 MS. STAFFORD: Thank you, your Honor.

5 With respect to the fourteenth omnibus objection,
6 which also seeks to disallow in their entirety 500 proofs of
7 claim which assert liabilities associated with one or more
8 bonds issued by COFINA which are duplicative of a master proof
9 of claim, there is one response still pending that was filed by
10 Mr. Del Valle Rivera and Mr. Martinez. This response also
11 submitted documentation regarding a CUSIP number which is
12 covered by a master proof of claim.

13 THE COURT: The objection is sustained and the claim
14 is disallowed as duplicative.

15 MS. STAFFORD: With respect to the fifteenth omnibus
16 objection, which also seeks to disallow in their entirety 500
17 proofs of claim which assert liabilities associated with one or
18 more bonds issued by COFINA that are duplicative of a master
19 proof of claim, there were two responses pending as of the time
20 we filed the agenda. The first of those responses, which was
21 filed by the Puerto Rico Funds, has -- we have stipulated to
22 the withdrawal of those claims.

23 THE COURT: All right. That stipulation has been
24 approved by the court already?

25 MS. STAFFORD: That is correct.

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1 THE COURT: Thank you.

2 MS. STAFFORD: The response of Doris Zoe Pons-Pagan
3 provided documentation regarding a CUSIP number which is
4 covered by the master proof of claim.

5 THE COURT: That objection is sustained and the claim
6 is disallowed as duplicative.

7 MS. STAFFORD: Thank you, your Honor.

8 And with respect to this objection as well, your
9 Honor, we will submit amended schedules to the court to reflect
10 the withdrawal of certain claims.

11 THE COURT: Thank you.

12 MS. STAFFORD: The sixteenth omnibus objection seeks
13 to disallow in their entirety 243 proofs of claim which assert
14 liabilities associated with one or more bonds issued by COFINA
15 that are duplicative of a master proof of claim. There were
16 two responses pending as of the time we filed the agenda. One
17 was filed by the Puerto Rico funds, and that response was also
18 withdrawn pursuant to the stipulation your Honor entered
19 recently.

20 THE COURT: And so that is dealt with?

21 MS. STAFFORD: That has been dealt with, yes.

22 And the next response was filed by Reinaldo Vincenty
23 Perez. That response was also withdrawn yesterday by the
24 claimant.

25 THE COURT: So if we haven't yet entered an order, you

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1 will make sure that we have the right paperwork and we will
2 enter an order.

3 MS. STAFFORD: Of course, your Honor.

4 And we will file amended schedules with respect to
5 that objection as well.

6 THE COURT: Very good.

7 MS. STAFFORD: And turning to the eighteenth omnibus
8 objection, which also sought to disallow in their entirety
9 proofs of claim which did not assert -- did not provide
10 documentation sufficient to provide a basis for liability
11 against COFINA, there was one response outstanding with respect
12 to this claim. That response was withdrawn yesterday, and so
13 the remainder of the objection is uncontested. And we are
14 happy to provide your Honor with updated schedules and an
15 appropriate order.

16 THE COURT: Thank you. I will look forward to that.
17 It is granted, and I will look forward to the updated schedules
18 and orders.

19 MS. STAFFORD: Thank you, your Honor.

20 And lastly, your Honor, the nineteenth omnibus
21 objection as to claims, we seek to disallow in their entirety
22 55 proofs of claim which asserted liabilities against COFINA
23 based on alleged ownership interest in mutual funds. There was
24 one response filed by Ms. Helvia Cruz Ybarra and an amended
25 response filed shortly thereafter. This response provided

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1 documentation regarding a mutual fund and, as we have discussed
2 earlier, the documentation regarding a mutual fund does not
3 assert liability against COFINA.

4 THE COURT: The objection is sustained and the claim
5 is disallowed as indirect.

6 MS. STAFFORD: And I will turn it over to Mr. Rosen,
7 unless you have any questions.

8 THE COURT: No. Thank you.

9 MR. ROSEN: Still good morning, your Honor.

10 THE COURT: Good morning, and moving along.

11 MR. ROSEN: Yes, your Honor, and I will try to be
12 brief.

13 Your Honor, the next four items on the agenda are
14 actually linked. They are the claims that were filed by
15 Cooperativa de Ahorro y Credito del Valenciano, and I will just
16 say the last part of each one, Credito de Rincon, Credito Dr.
17 Manuel Zeno Gandia, and Credito de Juana Diaz.

18 Your Honor, we filed an objection to each of these
19 claims because they were, like many of the others that you have
20 already heard, duplicative of the master proof of claim that
21 was filed by Bank of New York Mellon.

22 There was also a component of each of these claims
23 that attempted to assert a claim for damages associated with
24 the purchase and sale of securities. And as the court is well
25 aware, pursuant to the plan, that was class ten, that was

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1 subordinated to all creditors, and they received no
2 distributions pursuant to the plan.

3 I will say -- and subsequent to our filing of these
4 objections, the four claimants filed amended proofs of claim.
5 They attempted to say -- and these were done very recently,
6 your Honor. They attempted to say that this is for bonds above
7 and beyond the master proof of claim by Bank of New York
8 Mellon. Unfortunately, they did not include any information,
9 any CUSIP information, and there is nothing that would justify
10 any claim or any bond claim against COFINA. And we are -- as
11 your Honor is well aware, there are no additional bonds that
12 COFINA ever issued other than those which were the subject of
13 the plan, the senior and junior COFINA bonds.

14 There was also, in the response that was filed, an
15 effort to, yet again, litigate a component of the plan. Your
16 Honor, if you recall, at the confirmation hearing, there was an
17 argument or an objection to put forth by the *cooperativas* in
18 connection with the release that is being provided pursuant to
19 the plan, and there was a request at that time, your Honor,
20 that we scale back the release so that it did not apply to any
21 third parties. And so, your Honor, we did do that. We
22 included that in the proposed form of order, and it was
23 expressly -- there was express reference in your form of order
24 as to the continuation of that adversary proceeding that had
25 been filed by the *cooperativas* against third parties, but that

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COFINA and reorganized COFINA would be entitled to the discharge that was provided pursuant to the plan.

One of the claims that was filed, and it is the second one, your Honor, which is the proof of claim of Cooperativa de Ahorro y Credito de Rincon, attempts to yet again raise that issue with respect to the release. And this is not the second time this is raised, your Honor. It is actually the third time this is raised. Because subsequent to the court's entry of the confirmation order, there was a motion for reconsideration filed by the *cooperativas*, and the court asked us to brief those issues, and the court indicated that it would take those matters under submission.

(Continued on next page)

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1 MR. ROSEN: (Continuing) So I'm not going to address
2 it now because I believe that's already firmly in front of the
3 Court, not only their motion but our response, and the Court
4 did not provide for any further reply to be filed.

5 THE COURT: Correct.

6 MR. ROSEN: So, your Honor, what we have as far as I
7 can tell, your Honor, then is an amended and superseded claim
8 that attempts, I guess, by definition, would agree that the
9 original objection should be allowed, wiping out the original
10 claim. But to the extent that the proof of claim, as amended,
11 attempts to assert claims which were not included in any
12 capacity in the original proof of claim, they would have been
13 filed in violation of the bar date order itself, which would
14 have required all proofs of claim be filed by a date certain.
15 And as you are well aware, your Honor, amendments to proofs of
16 claim have to relate to the original subject of the proof of
17 claim that was filed.

18 So here what we have is arguably a proof of claim that
19 relates to some bond that we don't know exists that has
20 provided any piece of information that would be in violation of
21 the bar date order.

22 To the extent that any component of the claims remains
23 with respect to the Section 510(b), your Honor, again, we
24 believe that those claims received no distributions pursuant to
25 the plan. We would like to get rid of those claims off the

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registry of the court.

THE COURT: So, is it clear on the face of the claims that they fall within that class, the 510(b) class? Because if so, it seems to me it's a claim that's dealt with by the plan. And striking a claim that corresponds to a class within the plan is a bit anomalous.

MR. ROSEN: That's correct, your Honor.

In fact, this was a discussion that was had at the confirmation hearing where counsel actually understood that it was something that was treated on a subordinated basis pursuant to Class 10 of the plan.

So that's why we were a little bit surprised to see the reincarnation of this pursuant to the motion for reconsideration and then, in the response that was filed, to the objection to the claim itself.

So, your Honor, these four claims as far as we submit are to be dismissed or, excuse me, the objections should be granted in their entirety because of either they are relating back to the master proof of claim. If they were, in fact, amended to relate to something else, they provided no information, no documentation that would support any additional bond claims against COFINA and, in any event, they would be in violation of the bar date order.

And with respect to the 510 class, your Honor, as you indicated, it's already treated pursuant to the plan.

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1 Lastly, with respect to the release, your Honor,
2 that's I believe, your Honor, already under submission to the
3 Court.

4 THE COURT: All right. So, you have made lots of
5 different potential pathways here. Have you given me a
6 proposed order? If you haven't, what are your top two grounds?

7 It seems to me the simplest would be untimely and
8 failure to document any additional claims as against COFINA and
9 then the 510(b) part takes care of itself because of the plan.

10 MR. ROSEN: Your Honor, if you would allow us, we'll
11 submit that form of order to the Court.

12 THE COURT: Thank you.

13 And that order will be entered in relation to each of
14 these four *Cooperativa* claims.

15 MR. ROSEN: Thank you, your Honor. So that would take
16 care of items 10 through 13 on the agenda, your Honor.

17 THE COURT: And so that takes us to the end of the
18 agenda.

19 MR. ROSEN: Yes, your Honor.

20 THE COURT: Thank you.

21 I think that this brings us to end of this omni. So
22 the next date that I have on my calendar, at least as of now,
23 is a hearing next Friday on the motion of certain ERS
24 bondholders for relief from the automatic stay, but there was a
25 scheduling joint motion last night. So can you update me on

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1 that?

2 MR. ROSEN: Yes, your Honor. We've been working with
3 the ERS bondholders in connection with their motion for
4 adequate protection. There are many discovery issues that are
5 attendant to that motion. The parties continue to try and
6 resolve those issues. In the absence of that understanding,
7 it's something that will obviously be referred to Magistrate
8 Dein.

9 I believe the parties have agreed to what a schedule
10 might be. Your Honor, I apologize. I don't remember whether
11 it was going to be April 24 or even subsequent to that or
12 whether it was going to be based upon Magistrate Dein's
13 decision and the discovery that would have to be generated as a
14 result of her determination.

15 But the parties have agreed that March 22 would come
16 off the calendar.

17 THE COURT: All right. It is good to know that
18 because I have been holding next week in anticipation of lots
19 of filings and a hearing. So I gather from last night's filing
20 that there will be a revised scheduling proposal filed I think
21 tomorrow and so shall I assume that that will include notice
22 that the parties are asking me to release the dates in next
23 week and will be providing some other timeframe.

24 MR. ROSEN: That is my understanding, your Honor.
25 Yes.

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1 THE COURT: That's good news from my work management
2 point of view. And I'm glad to hear that you are working on
3 working out the discovery issues and I assume in discussions
4 about other issues as well.

5 MR. ROSEN: There have been several parties who have
6 sought to intervene in that motion for adequate protection so
7 the creditors committee is involved. It is AAFAF. It is the
8 board, the ERS bondholders, and I believe also the retiree
9 committee has sought to intervene. So there are many people
10 who are involved and we're trying to coordinate among all of
11 them.

12 THE COURT: Thank you for that.

13 For the record I thank the -- so our next scheduled
14 hearing then will be the April omni in San Juan.

15 I thank the court staff in New York, San Juan, and
16 Boston for all of their continued successful and wonderful
17 efforts in support of these matters and in making these
18 multicity hearings go smoothly. And I thank counsel.

19 MR. ROSEN: Thank you, your Honor.

20 THE COURT: And I think that that takes us to the end
21 of this hearing. So keep well.

22 MR. ROSEN: Thank you, your Honor. Have a nice day.

23 (Adjourned)
24
25

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1 UNITED STATES DISTRICT COURT)
2) ss.
3 OF PUERTO RICO)

4 REPORTER'S CERTIFICATE

5
6 I, Karen Gorlaski, do hereby certify that the above
7 and foregoing pages, consisting of the preceding 81 pages
8 constitutes a true and accurate transcript of our stenographic
9 notes and is a full, true, and complete transcript of the
10 proceedings to the best of our ability.

11 Dated this 13 day of March, 2019.

12 S/Karen Gorlaski _____

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7 above and foregoing pages, consisting of the preceding 81 pages
8 constitutes a true and accurate transcript of our stenographic
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10 proceedings to the best of our ability.

11 Dated this 13 day of March, 2019.

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13 Kristen Carannante, RMR, CRR

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